



*Michael C. Schlachter, CFA
Managing Director*

May 23, 2007

Dr. Russell Read
Chief Investment Officer
California Public Employees' Retirement System
400 P Street, Suite 3492
Sacramento, CA 95814

Re: New Version of CIO Report

Dear Russell,

You requested Wilshire's opinion regarding the new version of the Chief Investment Officer's Report to the Investment Committee. We believe that the new version better and more clearly reflects the impact of the rebalancing accounts as well as some of the target ranges for asset classes.

In addition to several conference calls and a few rounds of edits, Wilshire also met with Staff in your offices to discuss the new version of this report and to fine tune it for the Investment Committee. The new version accurately captures all of the comments we made to Staff. We believe that the new version presents a clearer picture of CalPERS' investment portfolio, without reducing the amount of information available to the Investment Committee.

If you have any additional questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Michael Schlachter', with a long, sweeping horizontal line extending to the right.